

## Message Text

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14

ACTION EB-07

INFO OCT-01 EA-09 ISO-00 FEA-01 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 /094 W

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2900

INFO AMEMBASSY TAIPEI

UNCLAS TOKYO 15317

E.O. 11652: N/A

TAGS: ETRD, JA

SUBJECT: JAPANESE COLOR TV EXPORTS TO US MASS RETAILERS

1. JAPANESE INDUSTRY AND GOVERNMENT REPRESENTATIVES HAVE ON A NUMBER OF OCCASIONS SPOKEN TO EMBASSY OFFICERS IN RESPONSE TO COMPLAINTS

FROM U.S. SOURCES ABOUT THE LARGE INCREASE IN JAPANESE COLOR TELEVISION

EXPORTS TO U.S. THEY ORDINARILY MAKE THREE POINTS: 1) JAPANESE TV RECEIVERS ARE SUPERIOR IN QUALITY; 2) U.S. MANUFACTURERS HAVE NOT MADE ENOUGH EFFORT IN SMALL-SCREEN PORTABLE MARKET, INSTEAD CONCENTRATING ON LARGE-SCREEN TV'S, WHERE PROFIT MARGINS ARE HIGHER; AND 3) DEMAND FROM U.S. MASS RETAILERS SUCH AS SEARS ACCOUNTS FOR MUCH OF JAPANESE COLOR TV EXPORTS.

2. EMBASSY EXAMINED THIRD POINT ABOVE TO DETERMINE PERCENTAGE OF JAPANESE COLOR TV'S SOLD TO U.S. PRIVATE LABEL RATHER THAN BRAND NAME BASIS. JAPANESE INDUSTRY PERSONNEL CONTACTED GAVE ESTIMATES OF PRIVATE LABEL SHIPMENTS AS REPRESENTING FORTY TO SIXTY PERCENT OF ALL JAPANESE COLOR TV EXPORTS TO U.S. AMONG JAPANESE MANUFACTURERS PRODUCING COLOR TV'S FOR U.S. RETAILERS ARE: HITACHI FOR WARDS; SANYO AND TOSHIBA FOR SEARS; TOSHIBA AND UNCLASSIFIED

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MATSUSHITA FOR PENNEYS. IN ADDITION, NIPPON ELECTRIC (NEC)

PRODUCES FOR MAGNAVOX AND CURTIS-MATHE ON PRIVATE LABEL BASIS.

3. ONE JAPANESE SOURCE SAID SEARS SWITCHED MUCH OF ITS COLOR TV SOURCING TO JAPAN THIS YEAR BECAUSE OF PROBLEMS WITH WARWICK ELECTRONICS; THIS SOURCE SAID THAT EIGHTY PERCENT OF ALL SEARS SETS ARE MADE IN JAPAN THIS YEAR, COMPARED TO ONLY TWENTY PERCENT LAST YEAR. WITH SEARS HOLDING THE THIRD-LARGEST MARKET SHARE IN U.S., AT NINE PERCENT, THIS WOULD ACCOUNT FOR A SUBSTANTIAL INCREASE IN JAPANESE TV EXPORTS. U.S. MASS RETAILERS REPORTEDLY CAN GET LOW PRICE QUOTES FROM JAPANESE MANUFACTURERS BECAUSE THEY TAKE POSSESSION OF GOODS IN YOKOHAMA, AND ALL RESPONSIBILITY BEYOND THAT POINT FOR SHIPPING, DISTRIBUTION, ADVERTISING, SELLING, AND SERVICE RESTS WITH THE RETAILERS. COSTS AND RISKS TO JAPANESE MANUFACTURERS ARE THEREFORE MINIMIZED.

4. INDUSTRY REPRESENTATIVES CONTACTED BY EMBASSY WERE IN AGREEMENT THAT SHOULD JAPANESE COLOR TV EXPORTS TO U.S. DECLINE EITHER THROUGH INCREASED PRODUCTION BY JAPANESE FACTORIES IN U.S. (SONY, SANYO-WARWICK, AND MATSUSHITA-QUASAR) OR THROUGH EXPORT/IMPORT RESTRICTIONS, U.S. MASS RETAILERS WOULD SWITCH THEIR SOURCING TO UP-AND-COMING COLOR TV INDUSTRIES IN TAIWAN, HONG KONG AND SINGAPORE. THIS, THEY CLAIM, WOULD ONLY TRANSFER PROBLEM WITH JAPAN TO OTHER NATIONS. THEY CITED EXAMPLE OF RADIOS AND CASSETTE TAPE RECORDERS, WHICH USED TO BE MADE FOR U.S. MASS RETAILERS IN JAPAN BUT WHICH NOW ARE MADE IN OTHER ASIAN COUNTRIES.

5. JAPANESE MAKER'S CLAIMS OF SUPERIOR QUALITY ARE HARD TO DOCUMENT. EMBASSY'S ONLY SOURCE OF INFORMATION IS JANUARY 1976 CONSUMER REPORTS SURVEY OF SMALL SCREEN COLOR TV PORTABLES. THERE WAS NO CLEAR-CUT DISTINCTION IN THIS REPORT BETWEEN QUALITY OF JAPANESE AND U.S.-MADE SETS, WITH JAPANESE SETS SHOWN TO HAVE THE SAME QUALITY RANGE AS U.S. SETS. OF FOURTEEN SETS RATED, SEARS RANKED SECOND; PENNEYS, ELEVENTH; AND WARDS, FOURTEENTH.

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